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Morocco

HRI Food Service Sector

Report

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Report Highlights:

The Moroccan Hotel, Restaurant, and Institutional (HRI) food business offers an increasing number of opportunities to U.S. food suppliers especially under the newly signed Morocco-U.S. FTA. The HRI sector is likely to grow dramatically in response to various government policies aimed to increase the number of tourists to 10 millions by the year 2010.

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Overview

Local importers and distributors are essential today for U.S. food products to reach hotels, restaurants, and caterers in Morocco. The HRI sector is developing rapidly to respond to the demand of a modernizing society and as a result of government goals to boost tourism in Morocco. Hotels and large caterers are increasingly adapting international quality standards (ISO, HACCP), which demand consistent quality and controlled distribution chains that the local suppliers are not always able to meet.

Tourism Sector in Morocco

Morocco receives each year over 2.5 million foreign tourists mostly from Europe brings in some \$2.0 billion to the local economy. In addition, some 1.6 million Moroccan working abroad (Europe) visit the country once a year during their vacation time (June-August) boosting consumption in hotels and restaurants. Europeans account for over 80 percent of Morocco's tourists and Europe (France, Germany, Italy, U.K.) is expected to continue to be the major tourist supplier in spite of the increase in number of tourists from other origins.

The government of Morocco has launched a plan to reach 10 million tourists a year by 2010 and several sites are being parceled out to the private sector for construction of new hotels and tourists resorts throughout the country.

The Hotels Sector

Morocco has some 632 classified hotels and tourist villages of which over half are ranked three star or better (medium to upscale). Nine out of ten foreign tourists stay in the medium to upscale hotels where they are likely to consume at least some imported food products. Medium and upscale hotels (3,4, 5 stars and luxury hotels) are located mainly in major Moroccan cities (Agadir, Marrakech, Meknes, Fes, Casablanca, Rabat, and Tanger) where food distribution has modernized significantly over recent years and where regular food importers and distributors have been operating on a daily basis.

Advantages	Challenges
U.S. suppliers have immediate preferential access on many commodities including on Hilton meat, standard meat, poultry, and apples.	Long shipping periods between Morocco and the USA. No direct shipping lines. Transit by Europe is necessary.
Importers and distributors supply HRI as well as supermarkets and traditional wholesalers.	The quantities involved can be still relatively small.
Tourism industry is likely to continue to grow in the future as the government is giving it full support.	Buyers are very price sensitive.
Hotel chains and upscale hotels are following high quality standards, and demand on quality.	Importers have been traditionally dealing with European suppliers and visit European shows regularly.
Good reputation of American products in general.	
Growing middle class in Morocco that supports the tourism industry even in economic downturns.	

Hotel Food Buying Procedure

Hotels in Morocco are not involved in direct importing because of the small volume involved. Even the largest chain (19 hotels) is not importing directly. Local importers and distributors play a major role in importing, promoting, and distributing food products in the hotel and restaurant business. U.S. exporters should go through established importers and distributors who have their own sales force and distribution network, a wide base of consumers (including non hotels and restaurants), and can handle relatively small quantities by consolidating small orders.

Most hotels make purchase decisions at the hotel level. Some chains require that local food suppliers be approved by headquarter office before they can start supplying individual hotels. Although the number of suppliers that hotels deal with might vary, it is typically a relatively small number and some importers are supplying most key hotels and restaurants in Morocco. In addition, hotels buy directly from wholesalers (including from a modern wholesale cash and carry chain) especially when it comes to products for which they need small volume. Some traditional wholesalers are providing financing (up to one month) to some hotels and restaurants.

Breakdown of hotels and resorts in Morocco by type and location

Hotel Category	Identified Hotels	Comments
Five Star: Minimum of 2 restaurants. With at least one Moroccan restaurant. A snack bar and 24h room service.	41	Mostly in major Moroccan cities such as Marrakech (11), Agadir (7), Casablanca (5), Fes (6), Tanger (2), Rabat (2), and all others (8). Higher proportion of imported food is being served at this group of hotels.
Four Star: Minimum of one restaurant, one snack bar, and 24h room service.	98	Marrakech (13) Agadir (13), Casablanca (13), Tanger (6), Fes (6), Ouarzazate (6) and all others (38). Serve mostly buffets for large groups of tourists and Moroccan tourists.
Three Star	131	Marrakech (17), Agadir (8), Casablanca (9), Tanger (10), Fes (5), Rabat (10), Ouarzazate (5), Nador (7), Meknes (3), and all others (58)
Tourist Villages	11	Located mostly in Agadir (5) and Marrakech (5), and Tanger (1). Serve mostly buffets for large groups of tourists.

Source: Ministry of Tourism.

The Restaurant Sector

The Moroccan restaurant sector is diversified and offers great opportunity for sale of U.S. food products especially under the newly signed US-Morocco Free Trade Agreement. Except for restaurants open under foreign fast food franchise (Pizza Hut, McDonalds, etc.), there are no restaurant chains in Morocco and although some might belong to the same owner they

are managed separately. Finally, most officially graded restaurants in Morocco are owned by locals or by Europeans based in Morocco.

Category: Location	Type of Food Served	Type of customers	Comments
Officially Graded Restaurants: 246 Identified: Marrakech (46), Casablanca (43), FES (24), Rabat (23), Agadir (22), Tanger (45), Meknes (12), other cities (31)	International (103), Moroccan (55), French (17) Italian (14), Oriental (12), Seafood (22), others (23)	Medium to high class Moroccans and tourists. Business community for international and western style restaurant especially in Casablanca and Rabat.	Number of seat varies considerably (20 to few hundreds for Moroccan show restaurants). Best prospects: Meat and poultry, sauces, canned food, seafood, snack food. Also for Moroccan restaurants: dried fruits and nuts and spices.
Fast food restaurants: Throughout Morocco	Chicken rotisseries Burger Places Pizzerias Seafood Local food.	Typically used by Moroccans in urban areas.	Typically small shops. Might not even have seated places. Best prospects: frozen French fries, frying vegetable oil, poultry and hamburger, cheese for pizza, and canned products
Franchise Modern Fast Food Mostly in relatively high income cities: Casablanca, Rabat, Marrakech, Agadir, Fes, Meknes, Kenitra	Mc Donald's (19 outlets) Pizza hut (17) Domino Pizza (3) KFC (2)	Medium to upscale Moroccans.	Imports done directly by franchise headquarter offices in Morocco. Best prospects: Cheese for pizza, poultry meat, tomato sauce, hamburger meat, and chicken nuggets.

Restaurant Food buying Procedure

Government Graded Restaurant

Local importers and distributors are key in conveying imported products to officially graded restaurant. It will be very difficult for any restaurant to get involved directly in imports because of the small volume involved. Established local importers have their own fleet of salesman that visit regularly with these restaurants (and food purchasing agents in hotels restaurant) and with the wholesalers where these restaurants buy some of their food ingredients.

Modern Fast Food Sector (Franchisee)

Franchises import directly their standard products or contract local manufacturers. They purchase relatively little from local importers and distributors.

Local Fast Food outlets

Shops in this category procure their ingredients from local wholesalers including the wholesale cash and carry supermarket that owns seven outlets in Morocco.

Catering Sector

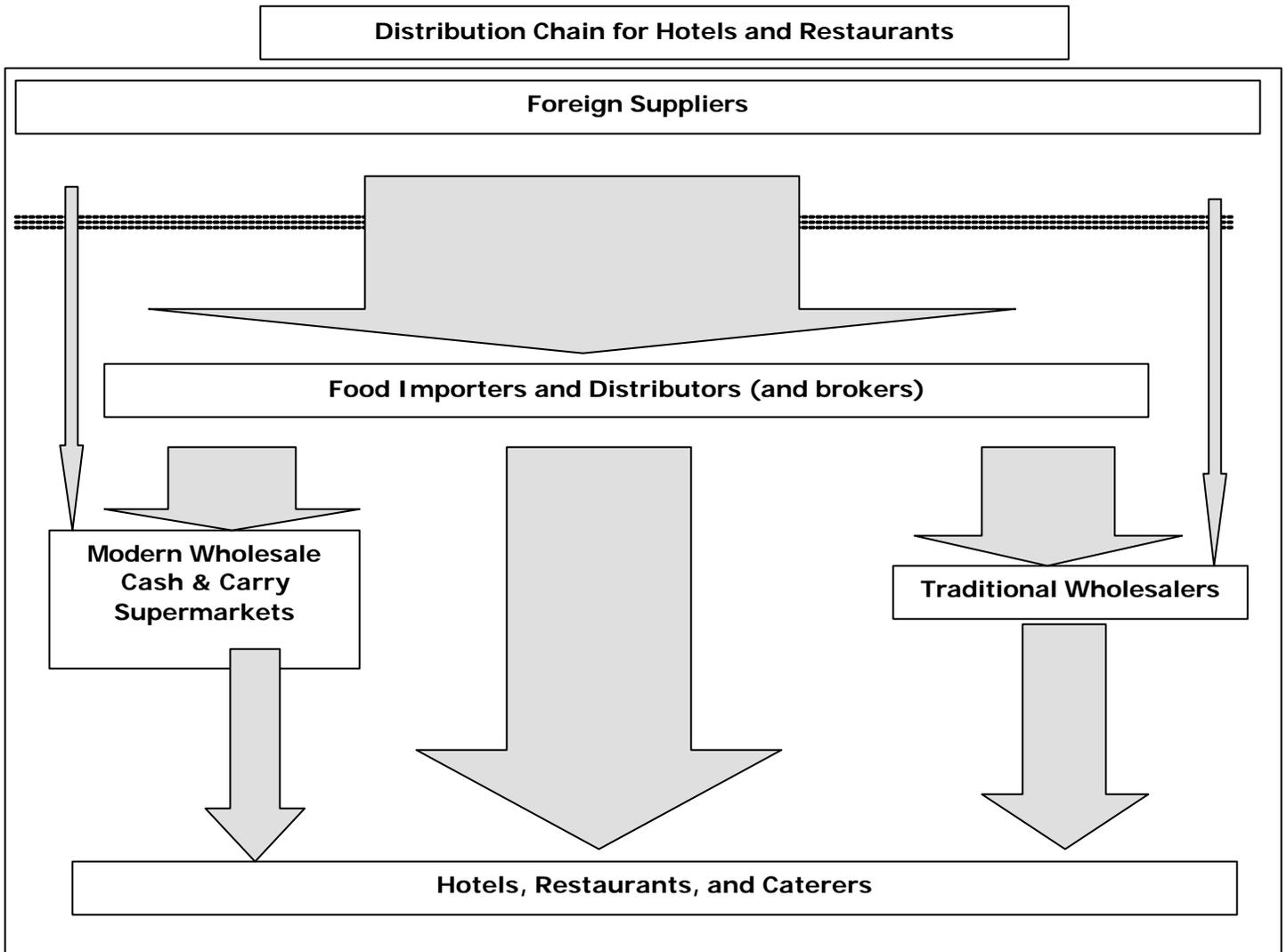
There are relatively few large companies that supply food to institutions (such as universities, schools, large corporation, banks, etc.) and the two largest are *Eurest* and *SODEXO*. These two companies are believed to account for over 80 percent of the estimated \$30 million market with *Eurest* being the leader in Morocco. The remaining 20 percent is shared among several small companies or caterers that are relatively new to this market. This group of caterers buys a wide range of grocery items including beef, lamb, poultry, canned fruit and vegetables, spices, tomato concentrate, and pulses.

There is also a large number of caterers that are specialized in preparing food for special celebrations (receptions, marriages ceremonies, birth, etc.). In this group, there are few large caterers that are active in most Moroccan cities and whenever there are large celebrations through out the country. Most of these caterers are requested to serve Moroccan meals, which boost the demand for specialty products such as (lamb, beef, poultry, dried fruits and nuts, spices, tea, coffee, and sugar) during the summer time (May-August) when the festivities tend to concentrate. Increasingly, caterers in this category are supplying more western type buffets, which increases the range of ingredients they regularly use.

Going through local importers and distributors is essential to reach this category of end-users. Most of the caterers, including the large ones, buy their products either directly from the importers/distributors or, if the quantities needed are too small, from wholesalers (including modern wholesale cash and carry chain).

Airline Catering

There is one major company in Morocco dealing with catering for local and foreign airlines, *Royal Catering*. The company can import exempt from duties when the products are to be used outside of Morocco's customs territory. It also buys some of its ingredients from local distributors.



**Moroccan Consumer Oriented Food Products Imports
(\$Million, calendar year 2003)**

Product Category	2003 imports Major Sub Categories	5 year Import Growth	Import Tariffs	Key Constraints over Market Development	Market attractiveness for USA
Overall Imports	Mostly from Europe (France, Germany, UK)	14%	Relatively high (across the board average duties and taxes (80%))	Geographical distance (Freight Cost, long delivery period). Lack of awareness of US products.	Preferential Access under FTA
Dairy Products (\$91.5)	Butter (\$52) Milk Powder (\$21) Cheese (\$13) Whey (\$1)	16%	100%	High Duties. Current demand mostly from dairy processors to make dairy derivatives (yogurt)	Cheese for pizza will be duty free under FTA. Duties for other Dairy Products down over 15 years
Processed Food (\$56)	Cereals and Bakery Products (\$5) Chocolate (\$9.5) Pasta (\$4) Confectionary (\$3.2) Sauces & Seasonings (\$1.5)	16%	50 % customs duties.		Preferential access especially on the medium and long term.
Fruits (\$28)	Dates (\$11 for Ramadan), Dried raisins (\$2.5), Almonds (\$1.5), Fresh Apples (\$2), Juice (\$2.2), Dried Prunes (\$.9)	11%			Duty Free Quota for fresh apples (see FTA section).
Beverages (\$24.4)	Alcoholic drinks (\$12) Wine (\$7.2), Carbonated (\$1.7), Mineral Water (\$1)	14%	Alcoholic (50%) Wine Mineral Water (50%)	High duties. Lack of knowledge of US products. Stiff competition from EU.	Alcoholic drinks will be duty free under FTA. Duties on Mineral water and wine are down over 10 years period
Seafood (\$19)	Frozen fish (\$6) Canned Tuna (\$2.8) Smoked, Salted Fish (\$2.7)				US will have preferential access (duty free) for most seafood products.

Product Category	2003 imports Major Sub Categories	5 year Import Growth	Import Tariffs	Key Constraints over Market Development	Market attractiveness for USA
Vegetables (\$8.6)	Canned Vegetables (\$3.5) Onions and Similar (\$2.1) Processed Tomatoes (\$.6)	7%			Potential for canned products (long shelf life).
Meat (\$4.3)	Hamburger Meat (\$0.96), Chicken Nuggets (\$0.23), Turkey (\$0.9), Canned Meat (\$1.4)		275 % for meat. 124 % for poultry. 60 % for chicken nuggets. 50 % for canned meat and hamburgers meat.		US has tariff rate quota for 1) high quality beef for hotels and restaurants 2) standard meat, 3) whole chicken and 4) chicken parts (see FTA section)

Source: Official Moroccan Trade Data (Office des Changes)

Opportunities Opened by FTA

Under the recently signed FTA with Morocco, most U.S. products can enter Morocco at preferential duties, especially in the medium and long term. For the short term, the U.S. secured quota for:

- 4,000 MT of USDA's "choice" or "prime" beef to be sold to upscale (4 and 5) restaurant and government-approved restaurant. The quota will increase by 4 percent annually and the in-quota tariff, starting at 45 percent ad valorem (instead of 260 percent) will be phased out in five years.
- 2,000 MT of Standard Quality Beef. After the fifth year of the agreement, this quota will increase by 2 percent a year. The in-quota tariff is 275 percent and will be reduced to zero over a 10 years period.
- 4,000 MT of chicken legs and quarters. This quota will increase by 200 MT a year. The in-quota tariff will be reduced by over 51 percent on the first year (from the current 124 percent) and be phased out completely over a 9 years period.
- 1,250 MT of chicken and turkey whole birds. This quota will increase by 100 MT a year. Duties on the in quota tariff will be reduced by over 51 percent on the first year (from the current 124 percent) and be phased out completely over a 9 years period.
- 2,000 MT of apples to enter Morocco duty free starting on year 1 of the agreement. The quota is open from February through May of each year.
- 3000 MT of products of wheat and durum wheat. The in quota tariff is reduced by 75 percent on the first year and is expected to go down over a six year period starting year 4.

In addition, the U.S. will enjoy duty free access starting the first year of the implementation for pizza cheese, pistachios, and soy sauce. Gains from the FTA is more obvious for the medium and long term where many key products will see their duties being phased out.

Promotional Events for U.S. Food Exporters

The Office of the Agricultural Affairs at the American Embassy in Rabat is organizing the 4th Casablanca American Café on June 6,7,8 2005. This US only food exhibition helps U.S. exporters to meet with key importers and distributors in Morocco, Algeria, and Tunisia. For more information about his event, please contact AgRabat@usda.gov